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Message Text

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ORIGIN STR-08

INFO OCT-01 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

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CEA: JDARROCH
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EA: RSNEIDER
EB/ STA: WDIROLL
---------- 044153
P 112302 Z APR 73
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY

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E. O. 11651: N/ A
TAGS: ETRD, JA
SUBJECT: US EXPORTS OF LOGS TO JAPAN
REFS : (A) TOKYO 3448 (B) STATE 65230

1. STRONG HOUSING DEMAND IN US COUPLED WITH INCREASED SOFT-WOOD LOG EXPORTS TO JAPAN HAVE BROUGHT SEVERE UPWARD PRICE PRESSURES ON SOFTWOOD LUMBER AND PLYWOOD, DESPITE PRICE CONTROLS AND OTHER GOVERNMENTAL ACTIONS TO RELIEVE PRICE PRESSURES. SOFTWOOD LUMBER WHOLESALE PRICE INDEX (WPI-1967 100) HAS INCREASED FROM 114 IN JANUARY 1971 TO 178 IN JANUARY 1973. SOFTWOOD PLYWOOD WPI HAS INCREASED IN SAME PERIOD FROM 108.7 TO 160.5.

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2. US TOTAL SOFTWOOD LOG EXPORTS INCREASED ABOUT 36 PERCENT IN 1972 OVER 1971; HOWEVER, LOG EXPORTS IN 1971 WERE DOWN 17 PERCENT FROM PREVIOUS PEAK YEAR 1970. MAJORITY OF US LOG EXPORTS ARE TO JAPAN. OF TOTAL QUANTITY SOFTWOOD LOG EXPORTS IN 1971 AND 1972 OF 2,233 AND 3,048 MILLION BOARD FEET RESPECTIVELY, 1,844 AND 2,522 MILLION BOARD FEET WENT TO JAPAN.

3. FORTY PERCENT OF SOFTWOOD LUMBER PRODUCTION AND 56 PERCENT OF SOFTWOOD PLYWOOD PRODUCTION CONSUMED IN US BY RESIDENTIAL CONSTRUCTION. US HOUSING STARTS IN 1973 EXPECTED TO REACH 2.2 MILLION, BUT WITH PEAK IN FIRST SIX MONTHS OF

1973 AND DECLINE IN RATE IN LAST SIX MONTHS. JAPANESE HOUSING STARTS EXPECTED REACH 2 MILLION IN 1973.

4. AS EMBASSY AWARE, ADMINISTRATION IS UNDER HEAVY PRESSURE FROM MANY GROUPS TO IMPOSE EXPORT CONTROLS ON LOGS AND LUMBER. THERE IS ALSO STRONG POSSIBILITY THAT CONGRESS WILL PASS LEGISLATION IN IMMEDIATE FUTURE WHICH WOULD RESTRICT LOG AND LUMBER EXPORTS ALONG LINES ASHLEY AMENDMENT (REFTEL B) OR EVEN PACKWOOD AMENDMENT WHICH WOULD EMBARGO SUCH EXPORTS. ADMINISTRATION INTENDS TO OPPOSE LEGISLATION TO RESTRICT LOG AND LUMBER EXPORTS AND DOES NOT REPEAT NOT PRESENTLY INTEND TO USE AUTHORITY UNDER EXPORT ADMINISTRATION ACT TO RESTRICT EXPORTS. LOG EXPORTS ARE NOT THE PRINCIPAL CAUSE OF PRICE PRESSURES ON LUMBER AND PLYWOOD, BUT PLANNED ACTIONS BY ADMINISTRATION TO INCREASE SUPPLY AND CONTROL PRICES MAY HAVE EFFECT OF INCREASING EXPORTS. INCREASED EXPORTS WOULD BRING INCREASED PRICE PRESSURES.

5. WE UNDERSTAND JAPANESE DEALERS AND SAWMILLS HAVE SUBSTANTIAL LOG AND LUMBER INVENTORIES. WE ALSO UNDERSTAND JAPANESE ARE AWARE OF PRESSURES ON ADMINISTRATION AND MAY BE WILLING TO REDUCE IMPORTS OF LOGS IN ORDER AVOID ADMINISTRATIVE OR LEGISLATED EXPORT CONTROLS.

6. EMBASSY IS REQUESTED INFORM GOJ OF ABOVE AND REQUEST THAT JAPANESE IMPORTERS REDUCE IMPORTS FROM US OF SOFTWOOD LOGS TO APPROXIMATELY 2,144 MILLION BOARD FEET IN 1973,
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CALCULATED ON A MONTHLY BASIS, DRAWING DOWN ON INVENTORIES,

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IN JAPAN AND INCREASED IMPORTS FROM OTHER SOURCES TO MEET DEMAND. THIS WOULD REPRESENT 15 PERCENT REDUCTION UNDER 1972 LEVEL. SUCH RESTRAINTS WOULD BE NEEDED UNTIL PRICE PRESSURES SUBSIDE IN US. WE WOULD EXPECT THAT GOJ COULD ACHIEVE THIS LEVEL WITHOUT REIMPOSITION IQ OR OTHER FORMAL IMPORT RESTRICTIONS. EMBASSY SHOULD ALSO STATE THAT WE WOULD EXPECT THAT EFFECT OF LOG RESTRAINTS WOULD NOT BE OFFSET BY INCREASED JAPANESE PURCHASES OF LUMBER AND PLYWOOD ON US WEST COAST.

7. FYI ONLY. A WASHINGTON REPRESENTATIVE OF JAPAN LUMBER IMPORTERS ASSOCIATION (JLIA), WHOSE MEMBERSHIP ACCOUNTS FOR 82 PERCENT OF IMPORTS OF US LOGS INTO JAPAN, STATES THAT JLIA PROJECTS 1,324 MILLION BOARD FEET IMPORTS OF SOFTWOOD LOGS FROM US IN FIRST SIX MONTHS OF 1973, A 12 PERCENT RISE OVER SAME PERIOD IN 1972. HE BELIEVES JLIA WOULD ACCEPT A 10 PERCENT REDUCTION UNDER 1972 LEVELS BUT WOULD HAVE DIFFICULTY WITH US REQUEST. SAME SOURCE ALSO STATES THAT, CONTRARY TO MAF SOURCE CITED PARA 2 REFTEL, GOJ EMBASSY WASHINGTON WAS INFORMED BY TOKYO THAT

GOJ HAS NO PRESENT PLANS TO SET SPECIFIC GOALS FOR LOG IMPORTS FROM US. END FYI. ROGERS

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